



# CO-OPERATIVE FEDERATION OF VICTORIA LTD.

225 Swanston Street, Melbourne, Victoria 3000, Australia

Telephone: (03) 663 1674

Postal Address: G.P.O. Box 5211AA, Melbourne, Victoria 3001, Australia

31st May, 1984.

The Hon. R. A. Jolly, M.P.,  
Treasurer,  
Government of Victoria,  
1 Treasury Place,  
MELBOURNE, 3002.

Dear Mr. Jolly,

## Marketing of Co-operative Shares

I refer to pp. 101, 102 of the detailed papers related to The Economic Strategy for Victoria for the 1980s and in particular to the development of private financial markets for miscellaneous securities including shares in producer Co-operative companies.

There is an essential difference between share capital of Co-operatives and other corporate bodies. Co-operative members provide capital to service developmental needs of their Co-operative and not as investment capital. Some major Co-operatives pay no dividend whatsoever on share capital. The reward to members for the provision of this capital is the successful operations of their Co-operative in the industry in which it was set up, with any surplus created in each financial year belonging to the members, either collectively in the form of increased reserves or distributed individually to them proportionate to the amount of each one's input or off-take contribution towards the creation of that surplus. Co-operatives are mutual type businesses owned and controlled by the user members.

For these reasons, recognition has been granted by the Federal Government through taxation legislation to the special restrictions with which Co-operative members have to comply in order to obtain the social and economic benefits provided from such membership. Part of this recognition provides certain taxation concessions provided the organisation establishes its truly mutual co-operative character. This includes recognition of the service nature of co-operative capital and prohibits its quotation "for sale or purchase at any stock exchange or in any other public manner whatever" (Section 117(1)). To list Co-operative shares publicly, therefore, places at risk the concessions such Co-operatives might have under Federal Taxation Legislation.

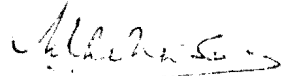
It is recognised that some old established Co-operative Companies do have untidy share registers of inactive members and the demand for membership in some of these Co-operatives has - for whatever reason - diminished, thereby inhibiting the transfer of inactive or deceased member shares. However, to invite public non-member subscription for such shares places the whole Co-operative venture in jeopardy not only from a taxation liability aspect but also from corporate raiders.

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Whilst recognising the proposal which the Government, through its Melbourne Stock Exchange sub-committee on marketing of miscellaneous securities, is endeavouring to develop, this Federation is concerned at the possible long term implications of the presently proposed action in relation to Co-operative companies.

The Federation, therefore, formally requests that before any further public pronouncements on the subject are made that a representative of this Federation, major Co-operative companies and The Co-operative Societies Registrar be invited to meet the present M.S.E. Committee to discuss and attempt to resolve the matter of dealing with shares of inactive members of Co-operative companies.

Yours sincerely,



W. W. Rawlinson,  
Executive Officer.



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31st May, 1984.

Mr. R. Green,  
Cortis & Carr,  
367 Collins Street,  
MELBOURNE, 3000.

Dear Mr. Green,

I write in reference to the advertisement placed by your Company in the Financial Review on 30th April 1984 listing, inter alia, a sale price of shares in three Co-operative Companies. Whilst it is recognised the careful wording did not actually offer Co-operative shares for sale or purchase the inference is clearly there and could attract unfavourable reaction from the Federal Taxation authorities in respect of the present provisions of Division 9 of the Taxation Act.

For reasons which this Federation unequivocally supports, the Taxation Act prohibits Co-operatives which seek to qualify for recognition as such under that Act from the quotation of their shares at any Stock Exchange or in any other public manner whatever. In this connection I enclose a copy of a letter submitted to the State Treasurer, which I would be happy to discuss with you.

In the meantime, we would ask that the interests of your Co-operative clients, prospective clients and Co-operatives throughout Australia be guarded by the exercise of great caution in making any pronouncement of public availability of Co-operative shares.

Yours sincerely,

W. W. Rawlinson,  
Executive Officer.

Enc.


7th June, 1984.

The Registrar of Co-operative Societies,  
250 Elizabeth Street,  
MELBOURNE, 3000.

Dear Mr. Kilpatrick,

As indicated at the meeting of the Co-operative Societies Advisory Council, when the concern of the Co-operative Federation of Victoria to the Victorian Government's "Economic Strategies for the 1980's", proposals which include reference to marketing of Producer Co-operative shares, were expressed I now enclose copies of correspondence for your information. Mr. Green is Chairman of the Melbourne Stock Exchange Committee appointed by the Treasurer to study the proposal for development of a secondary market for securities of non-listed public companies.

Yours sincerely,

  
W. W. Rawlinson,  
Executive Officer.

Enc.



MINISTRY OF HOUSING

Myer House, 250 Elizabeth Street, Melbourne Victoria. 3000. Telephone 669 1100

G.P.O. Box 1670N, Melbourne, 3001

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Phone or call Ms. M. Hopper - 1r  
669 1718

15th June, 1984

Mr. Bill Rawlinson,  
Executive Officer,  
Co-operative Federation of  
Victoria Ltd.,  
225 Swanston Street,  
MELBOURNE, 3000

Dear Mr. Rawlinson,

I acknowledge your letter of June 7th in which you enclosed copies of correspondence relating to a proposal for the development of a secondary market for securities for non-listed companies.

I am studying the points which you have raised, and I trust you will keep me informed of future developments.

Yours sincerely,

W. J. KILPATRICK,  
REGISTRAR OF CO-OPERATIVE SOCIETIES